

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02

OMB-01 SAM-01 AF-10 ARA-16 EA-11 NEA-11 OIC-04 DRC-01

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R 311715Z JAN 74

FM USMISSION GENEVA

TO SECSTATE WASHDC 3726

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS UNN

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PASS STR

E.O. 11652: N/A

TAGS: ETRD, GATT, US, EC

SUBJECT: US-EC CEREALS STANDSTILL AGREEMENT NEGOTIATIONS

REF: A. STATE 19252

B. BRUSSELS 5438 (JUNE 1973)

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SUMMARY: U.S. AND EC RESUMED STANDSTILL NEGOTIATIONS JAN 31.

TWO DELEGATIONS' INTERPRETATIONS OF 1962 AGREEMENT REMAINED WIDELY DIVERGENT. WE MADE PRESENTATION ON UP-DATED VALUE OF OUR RIGHTS PER REFTEL, BUT EC CONSIDERED DISCUSSION THIS SUBJECT PREMATURE. THEY SUGGESTED FIRST STEP SHOULD BE EXAMINATION OF TRADE TRENDS, WHICH WE REJECTED AS IRRELEVANT. RESULT WAS COMPLETE STANDOFF. END SUMMARY.

1. EC (SIMONET) INVITED U.S., AS PARTY THAT HAD ASKED FOR CONSULTATIONS, TO LEAD OFF. US (BRUNGART) REPORTED WE HAD AGAIN REVIEWED LEGAL INTERPRETATION OF 1962 STANDSTILL AGREEMENT SUBSEQUENT TO JUNE 1973 CONSULTATION, WITH CONCLUSION THAT THEY CONSTITUTE A RESIDUAL UNSETTLED AREA OF 24:6 NEGOTIATIONS CONDUCTED BETWEEN US AND EC AT TIME OF EC OF SIX ESTABLISHED. IT WAS IN EFFECT AGREED AT THAT TIME THAT THE SEARCH FOR MUTUALLY SATISFACTORY SOLUTION SHOULD BE CARRIED OVER. AGREEMENTS PRESERVED NEGOTIATION RIGHTS U.S. HAD AS OF SEPTEMBER 1, 1960. EC IS REQUIRED TO OFFER US COMPENSATION FOR CONCESSIONS WHICH IT UNBOUND IN PROCESS OF FORMING CUSTOMS UNION, AND THOSE CONCESSIONS HAVE A VALUE INDEPENDENT OF MATERIAL TRADE DAMAGE WE MAY OR MAY NOT ESTABLISH. WE ALSO DREW ON REFTEL TO GIVE UP-DATED VALUE WE ASSIGN TO OUR RIGHTS (\$379.5 MILLION), EXPLAINED WHY UP-DATING APPROPRIATE AND CONSISTENT WITH GATT PROVISIONS, AND CIRCULATED DETAILED CALCULATIONS.

2. EC FOUND OUR PRESENTATION QUOTE SOMEWHAT ASTONISHING UNQUOTE ON GROUNDS THAT AT LAST MEETING IT HAD BEEN AGREED THAT SUBJECT OF PRESENT MEETING WOULD BE TO EVALUATE EFFECTS OF C.A.P. ON THIRD COUNTRIES. WE CITED PARA 7 OF REFTEL (B) TO EFFECT THAT AT LAST MEETING WE HAD UNDERTAKEN TO SUPPLY EXACTLY SUCH ANALYSIS OF OUR STANDSTILL RIGHTS.

3. ON NATURE OF U.S. RIGHTS AND EC OBLIGATIONS, SIMONET TOOK SAME LINE HIJZEN HAD TAKEN IN JUNE 1973 CONSULTATIONS, I.E. THAT COMMUNITY'S ESSENTIAL COMMITMENT WAS TO ENTER INTO NEGOTIATIONS ON CONSEQUENCES OF CAP FOR U.S. EXPORTS TO EC, AND THAT ONLY IF WE COULD PRESENT CONVINCING CASE OF DAMAGE WOULD U.S. RIGHTS COME INTO PLAY, AND ONLY THEN WOULD THERE BE NEED TO CONSIDER U.S. CLAIM. INVITED U.S. TO PRESENT ITS ANALYSES AND VIEWS ON EVOLUTION OF TRADE. WE REITERATED OUR RIGHTS WERE THOSE WE HELD IN SEPTEMBER 1, 1960, AND ARGUED THAT REASONABLE FIRST STEP IN NEGOTIATIONS WOULD BE ATTEMPT TO ARRIVE AT AGREEMENT ON EXTENT LIMITED OFFICIAL USE

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OF OUR RIGHTS. QUESTION OF INJURY NOT RELEVANT, SINCE WE WERE NEGOTIATING UNDER PROCEDURES OF ARTICLE XXVIII, NOT XXIII. SIMONET ARGUED THAT SINCE PARA 3B II (RELATING TO EVOLUTION OF TRADE UNDER FAIR AND REASONABLE CONDITIONS) OF QUALITY WHEAT AGREEMENT CAME BEFORE 3B IV, (RELATING TO RIGHTS) IT OF GREATER IMPORT AND NEED PRIOR ATTENTION. WE RESPONDED AGREEMENTS INTEGRAL WITH ALL CLAUSES OF EQUAL VALIDITY. BOTH SIDES REPEATED THEIR BASIC ARGUMENTS SEVERAL TIMES IN VARIOUS

FORMS.

4. SIMONET ASKED OUR VIEWS ON RELATIONSHIP THESE NEGOTIATIONS TO OTHER NEGOTIATIONS, SAYING EC CONSIDERED THEM SEPARATE AND COULD NOT ACCEPT LINKAGE. WE RESPONDED OUR RIGHTS WROSE FROM ARTICLE XXIV AND NEGOTIATIONS THUS RELATED EARLIER ARTICLE XXIV:6 NEGOTIATIONS. ALSO NOTED THAT BOTH WE AND EC WOULD UNDOUBTEDLY WISH TO ENSURE THAT RESULTS PRESENT NEGOTIATIONS ON GRAINS RIGHTS CONSISTENT WITH RESULTS OTHER NEGOTIATIONS, SUCH AS CURRENT XXIV:6 RENEGOTIATIONS.

5. EC'S COMMENTS THROUGHOUT DIRECTED ALMOST ENTIELY TO QUALITY WHEAT AGREEMENT WITH ONLY PASSING REFERENCE TO AGREEMENT ON OTHER GRAINS. WE MADE CLEAR CONSULTATIONS RELATED EQUALLY TO BOTH AGREEMENTS.

6. AT END OF MEETING, EC THANKED US FOR OUR STATISTICAL PRESENTATION WHICH THEY WOULD FILE AND BE PREPARED DISCUSS IF PRIOR EXAMINATION SHOWED THAT EFFECT OF CAP WAS SUCH AS NOT RPT NOT TO PROVIDE FOR THE EVOLUTION OF U.S. TRADE UNDER FAIR AND REASONABLE CONDITIONS. WE EXPRESSED HOPE THAT AFTER CONSIDERING OUR PRESENTATION AND DATA FURNISHED EC WOULD AGREE THAT ATTEMPT TO REACH AGREEMENT ON SIZE OUR CLAIM OFFERED MOST FRUITFUL WAY OF ADVANCING NEGOTIATIONS.BASSIN

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